

FISCAL NOTE

Bill #: SB0240

Title: Clarify status of existing intercap loans

Primary Sponsor: Cooney, M

Status: As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$178,330	0
State Special Revenue	(\$178,330)	0
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	(\$178,330)	\$0

- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Commerce (DOC)

1. The INTERCAP Program administered by the Board of Investments provides low interest loans to governmental agencies, including state agencies as authorized by the legislature. The loans are funded by the issuance of tax-exempt bonds purchased by investors.
2. The loans listed in this bill have previously been authorized by the legislature and the sole purpose of this bill is to clarify the status of the loans and declare that they are state debt as per constitutional provisions. Such clarification will serve to facilitate the remarketing of the bonds sold to private investors in March.
3. This bill does not increase or decrease the current debt owed by the listed agencies.
4. The loans were made under the “prudent expert” principle governing the Board of Investments and the board fully anticipated repayment of these loans whether or not they were classified as state debt when initially authorized by the Legislature.
5. The loans and their current status are as follows:
 - a. \$500,000 to the Department of Justice for the law enforcement academy, of which \$150,000 in principal amount is outstanding. There are no draws remaining on this loan.

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(continued)

- b. \$3,712,000 to the Petroleum Tank Release Compensation Board to clean up leaking underground storage tanks, of which \$1,249,247 in principal amount is outstanding and \$1,500,000 is still available to be drawn down.
- c. \$600,000 to the Department of Natural Resources and Conservation for information technology, of which \$190,769 in principal amount is outstanding. There are no draws remaining on this loan. (See DNRC assumptions 6 - 11)
- d. \$2,000,000 to the Department of Administration, Public Employees' Retirement Board, for the state defined contribution retirement system plan startup costs, of which \$1,395,194 in principal amount is outstanding. There are no draws remaining on this loan.
- e. \$340,000 to the Department of Administration for the voluntary employees' beneficiary association startup costs, of which \$214,924 in principal amount is outstanding and \$102,000 is available to be drawn down.
- f. \$4,500,000 to the Department of Justice for information technology, of which \$3,971,673 in principal amount is outstanding. There are no draws remaining on this loan; and
- g. \$18,000,000 to the Department of Justice for information technology, of which \$2,913,768 in principal amount is outstanding and \$15,086,232 is available to be drawn down.

Department of Natural Resources and Conservation (DNRC)

- 6. The Trust Land Management Division (TLMD) of the DNRC was authorized during the 2001 Legislature to obtain an INTERCAP loan up to \$600,000 from the Board of Investments to provide funding for the redesign of the Trust Land Management Division information technology system. The debt service was reauthorized by the 2003 Legislature in HB 2.
- 7. The debt service was authorized and paid from the state special revenue Resource Development Account. The system redesign was completed and the new system became operational in FY 2003.
- 8. DNRC borrowed a total of \$506,005 beginning in FY 2001 with the last draw in FY 2003. The loan terminates 02/15/2009.
- 9. Beginning in FY 2006, DNRC estimates that the outstanding principal balance would be approximately \$170,781.
- 10. New Section 1(c), stipulates that the DNRC debt service will be paid from the general fund as opposed to state special revenue. It is assumed that the remaining balance of \$170,781 will be paid in full during FY 2006, thereby reducing the amount of interest expense incurred during the biennium.

FISCAL IMPACT:

Department of Natural Resources and Conservation (DNRC)

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
<u>Expenditures:</u>		
Other – Loan payable	170,781	0
Interest Expense	<u>7,549</u>	0
TOTAL	\$178,330	0
<u>Funding of Expenditures:</u>		
General Fund (01)	\$178,330	0
State Special Revenue (02)	(\$178,330)	0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$178,330)	0
State Special Revenue (02)	\$178,330	0